

## Consultation document:

### Rule 020: *Rules Respecting Gas Utility Pipelines*, Section 3 proposed changes

#### 3. Establish project need

##### 3.1 General requirements

- (1) Need must be established before a licence will be granted.
- (2) Need includes:
  - Project justification.
  - Project cost.
  - Identification of alternatives and associated costs.
  - Assessment of the implications of the alternatives on the public and the environment.
  - Rationale for selecting the applied-for project including an economic evaluation comparing the alternatives.
- (3) Sufficient information must be provided by the applicant such that the licence issued by the Commission can describe where, when and how the need has been established and include reference to the estimated project cost.
- (4) Projects that are part of a multi-component, integrated program should be identified and reviewed as part of that larger program to ensure that the Commission has a full understanding of the program scope and implications.
- (5) Applicants must provide information that is sufficient to clearly match the projects for which capital additions are requested to the facility application, the rate application, and all associated decisions, including the specific licences issued. In the event that the functional specification or scope of a specific project is changed for any reason subsequent to the issuance of the licence, applicants must provide a clear explanation of both the nature and timing of the changes that have occurred.
- (6) Persons that may be directly and adversely affected must have an opportunity to understand the project impact, have their concerns addressed by the applicant, or heard by the Commission if not addressed by the applicant. The Commission intends to provide flexibility to review cost-related evidence and consider cost-related issues in facilities proceedings and it considers that participation by interveners who are focussed primarily on issues of cost should be permitted in those facility proceedings.
- (7) Rates associated with gas utility pipeline facilities will be considered and established on a prospective basis with a subsequent true-up process to ensure that the projects entering rate base are used and required to be used, and that only prudently incurred costs enter rate base.

## 3.2 Procedures

- (1) Need will be addressed, to the extent practical, in the first instance an applicant files a gas utility pipeline capital project proposal with the Commission, either as part of a rate filing (i.e. general rate application (GRA) or as part of a capital tracker application for companies that may be operating under performance-based regulation) or a facility application.
- (2) Streamlined or abbreviated need assessment processes will be permitted for certain gas utility pipeline projects that meet defined thresholds as described in sections 3.3 and 3.4. These generally include new growth and replacement projects that meet defined cost and physical attribute thresholds and are unlikely to have significant landowner or environmental impacts.
- (3) Growth projects identified in the NOVA Gas Transmission Ltd.-ATCO Pipelines integration arrangement that are currently administered in a deferral account process will continue to be administered in this way.
- (4) The Commission may defer approval of the need for projects from a rate filing to a facilities application (e.g. where there are expected landowner or environmental issues).
  - If the product of the pipeline length in kilometres and the pipeline diameter in millimetres exceeds 2700 the need assessment for the project must be assessed with the facility application to facilitate thorough consideration of landowner and environmental issues.
  - Rate filing decisions will state whether the need for a project has been approved or deferred.
- (5) Where the need is approved in a rate decision, the cost estimate will form the basis of the variance/prudence assessment that occurs at the time of the next rate filing (opening rate base), unless the estimate is subsequently modified through the facility application process.
  - Where the cost estimate associated with need is approved as part of the facilities application, this cost estimate will be considered in the subsequent prudence assessment, at the time of the next rate filing, when establishing an opening rate base amount.
- (6) Projects that were not included in a rate filing will have the need assessed in the facility application for a licence.
  - If the gas utility pipeline owner files an application for a licence for a project where the need was not previously assessed and approved in the rate decision, or before the rate decision is issued, the need aspect of that project will be dealt with in the facility application process instead of the rate filing.
- (7) The facility owner should identify where the need has been dealt with in its facility application.

### 3.3 Abbreviated need

Streamlined or abbreviated need assessment processes that would include the reason for the project are acceptable for the following types of gas utility pipeline projects where there are no expected landowner objections or significant environmental impacts:

- (a) New growth projects with an estimated capital cost less than \$500,000.
- (b) New growth projects for receipt or delivery connections involving less than 100 metres of pipeline, and the associated metering and regulating facilities.
- (c) Replacement or relocation projects for existing facilities with an estimated capital cost less than \$1,000,000 where the project is reimbursed under the terms of a third party contribution or where a pipeline replacement project is required to comply with class location changes.
- (d) Replacement projects for existing facilities with an estimated capital cost less than \$500,000 or where the existing right-of-way is utilized.

### 3.4 Complete need assessment

In circumstances where an abbreviated need assessment is not applicable an application addressing the following components as applicable, must be filed with the AUC:

- (a) A description of the proposed project.
- (b) An explanation of why the project is required, including:
  - i. a description of current infrastructure and why it cannot be used to meet the need identified;
  - ii. forecast demand information for growth projects;
  - iii. for replacement projects, an explanation of why the current system is no longer adequate to meet current and future requirements.
- (c) An explanation of whether the proposed project is part of a larger initiative including a description of the project's various components, functions and forecast in-service dates.
- (d) The studies and analysis performed in identifying the timing and nature of the need.
- (e) The alternatives considered to address the identified need, including doing nothing.
- (f) A technical and economic comparison of the alternatives considered, including:

- i. an evaluation of operational efficiency and reliability provided by each option;
- ii. an estimate of the capital, operating and maintenance costs for each option;
- iii. an economic assessment, with documentation of assumptions, illustrating the cumulative present value of revenue requirements over a twenty year term, depicted, where possible, with a year-by-year graphical representation;
- iv. a description of related infrastructure that will be impacted e.g. distribution facilities that will also be required and a cost estimate for such facilities;
- v. an evaluation of factors respecting implementation of each alternative, including timing and risks during construction;
- vi. a summary of any resolved or outstanding landowner concerns if consultation has been conducted;
- vii. a summary of any ratepayer or industry dialogue, including any feedback; and
- viii. a high-level evaluation of the land-use impacts of each alternative.

(g) The applicant's choice of preferred alternative, including:

- i. the rationale for selecting the alternative; and
- ii. the implementation schedule for the alternative.